

**Standards and Procedures for Audits
of California K-12 Local Educational Agencies
2003-04**



Education Audit Appeals Panel

June 23, 2004

Education Audit Appeals Panel

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TITLE 5. Education

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Chapter 3. Audits of California K-12 Local Education Agencies

Article 1. General Provisions

§ 19810. Scope.

These regulations constitute the audit guide, *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, that shall be used in the performance of the audits required by Education Code Section 41020. These regulations do not provide a complete manual of procedures; auditors must exercise professional judgment.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19811. Qualifications of Auditors.

(a) Each audit shall be made by a certified public accountant or a public accountant, licensed by the California Board of Accountancy, and selected by the local education agency from a directory of certified public accountants and public accountants deemed by the Controller as qualified to conduct audits of local education agencies published by the Controller not later than December 31 of each year.

(b) Except as provided in subdivision (d) of Education Code Section 41320.1, it is unlawful for a public accounting firm to provide audit services to a local educational agency if the lead audit partner, or coordinating audit partner, having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local educational agency in each of the six previous fiscal years. The Education Audit Appeals Panel may waive this requirement if the panel finds that no otherwise eligible auditor is available to perform the audit.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Section 41020, Education Code.

Article 2. Audit Reports

§ 19812. Auditing Standards.

Audits shall be conducted in accordance with auditing standards generally accepted in the United States of America, the standards set forth in *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of this chapter.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: sections 14501, 14503 and 41020, Education Code.

§ 19813. Report Components.

The report of each audit performed pursuant to Education Code Section 41020 shall be as follows, except that the subelements of (d) may be in any order among themselves:

- (a) Introductory Section.
 - (1) Table of Contents for the audit report.
 - (2) Other information as deemed appropriate by the auditee.
- (b) Financial Section.
 - (1) Independent Auditor's Report.
 - (2) Management's Discussion and Analysis.
 - (3) Basic Financial Statements.
 - (4) Notes to the Basic Financial Statements.
- (c) Required Supplementary Information.

Schedule of budgetary comparison data for the General Fund and any major special revenue funds that have legally adopted annual budgets disclosing excesses of expenditures over appropriations, if any, in individual funds presented in the budgetary comparison.

(d) Supplementary Information.

(1) Schedule of Average Daily Attendance.

(2) Schedule of Instructional Time.

(3) Schedule of Financial Trends and Analysis.

(4) Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.

(5) Optionally, Combining Statements and Individual Fund Statements and Schedules.

(6) Schedule of Charter Schools.

(7) If required as set forth in the edition of OMB Circular A-133 applicable to the year being audited, Schedule of Expenditures of Federal Awards.

(8) Notes to Supplementary Information, if required.

(e) Other Independent Auditor's Reports.

(1) Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

(2) Report on State Compliance.

(3) If required as set forth in the edition of OMB Circular A-133 applicable to the year being audited, Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.

(f) Findings and Recommendations.

(1) Schedule of Findings and Questioned Costs.

(2) Schedule of Prior Audit Findings.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19814. Definitions.

The content of the audit report sections and subsections specified in Section 19813 is as described in the *Codification of Statements on Auditing Standards* published by the American Institute of Certified Public Accountants, the *Codification of Governmental Accounting and Financial Reporting Standards* published by the Governmental Accounting Standards Board (GASB), or *Government Auditing Standards* published by the Comptroller General of the United States in the respective editions applicable to the year being audited, or as defined in one of the following:

(a) “*Government Auditing Standards*” means the publication by the Comptroller General of the United States, United States General Accounting Office, originally issued in 1972 and revised from time to time, commonly known as the “Yellow Book,” that contains standards for audits of government organizations, programs, activities, and functions and that is referenced in Education Code sections 14501, 14503, and 41020(b)(4).

(b) “OMB Circular A-133” means the publication, produced by the federal Office of Management and Budget and titled *Audits of States, Local Governments, and Non-Profit Organizations*, that sets forth standards for attaining consistency and uniformity in the audits of governments and organizations expending federal awards.

(c) “Reconciliation of Annual Financial and Budget Report with Audited Financial Statements” means a schedule that displays the differences between the ending fund balance(s) from the audited financial statements and the unaudited ending fund balance(s) from the annual financial and budget report for each fund in which a variance occurred.

(d) “Report on Compliance with Laws and Regulations and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*” means the component of the Other Independent Auditor’s

Reports that specifies material instances of noncompliance, if any; defines reportable conditions and specifies the reportable conditions disclosed as a result of the audit; defines material weaknesses and specifies the material weaknesses, if any, that were disclosed by the audit; includes a statement that no material weaknesses were found, if that is the case; and includes a statement that nonmaterial noncompliance and nonreportable conditions involving the internal control structure and its operation were communicated to management in a separate management letter, if that is the case.

(e) “Report on State Compliance” means the component of the Other Independent Auditor’s Reports that specifically and separately addresses each of the state compliance requirements included in this audit guide, stating whether or not the district is in compliance with those requirements; includes a chart that displays the number of audit procedures for each compliance requirement and states that the audit procedures included in the audit guide for each requirement were followed in the making of the audit, if that is the case, or, if not, what other procedures were followed; and includes an expression of positive assurance with respect to compliance with applicable laws and regulations for those items tested in accordance with those regulations, and negative assurance for untested items.

The numbers of audit procedures for the compliance requirements included in this audit guide are

Attendance Reporting, 6;

Kindergarten Continuance, 3;

Independent Study, 22;

Continuation Education, 10

Adult Education, 9;

Regional Occupational Centers and Programs, 6:

Instructional Time and Staff Development Reform Program, 7;

Instructional Time for school districts, 4, for county offices of education, 3;

Community Day Schools, 9;

Class Size Reduction general requirements, 7; Option One, 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;

Instructional Materials general requirements, 9; K-8 only, 1; grades 9-12 only, 1;

Ratios of Administrative Employees to Teachers, 1;

Early Retirement Incentive Program, 4;

Gann Limit Calculation, 1.

(f) “Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133” means the component of the Other Independent Auditor’s Reports that states whether the auditee has complied with federal laws, regulations, and the provisions of federal contracts or grant agreements and has established and maintained effective internal control over compliance with the requirements for major federal programs.

(g) “Schedule of Average Daily Attendance” means the schedule in the Supplementary Information section that displays Average Daily Attendance data for both the Second Period and Annual reports, by grade level and program as appropriate.

(h) “Schedule of Charter Schools” means the schedule in the Supplementary Information section that lists all charter schools chartered by the school district or county office of education, and displays information for each charter school on whether or not the charter school is included in the school district or county office of education audit.

(i) “Schedule of Financial Trends and Analysis” means the schedule in the Supplementary Information section that displays information regarding the auditee’s financial position and

going concern status, in the form of actual financial and attendance figures for at least the most recent three-year period (ending with the audit year), plus the current year's budget, for the following items: General Fund financial activity, including total revenue, expenditures, and other sources and uses; General Fund balance; available reserve balances (funds designated for economic uncertainty, and any other remaining undesignated fund balance) within the General Fund, Special Reserve Fund, and any Article XIII-B Trust Funds; available reserve balances expressed as a percentage of total General Fund outgo (expenditures, transfers out, and other uses), including a comparison to the applicable state-recommended available reserve percentage; total long-term debt; and elementary and secondary Second Principal Average Daily Attendance, excluding Regional Occupational Centers and Programs and Adult Average Daily Attendance; and, when the auditee's percentage of available reserves to total General Fund outgo is below the state-recommended percentage, management's plans for increasing the auditee's available reserve percentage.

(j) "Schedule of Findings and Questioned Costs" means that part of the Findings and Recommendations section that presents all audit year findings, and a copy of each management letter issued, if any, with each finding assigned the appropriate code from among the following: 10000 Attendance, 20000 Inventory of Equipment, 30000 Internal Control, 40000 State Compliance, 50000 Federal Compliance, 60000 Miscellaneous, and includes the following elements:

(1) criteria

(2) condition

(3) effect

(4) cause

(5) a statement of the number of units of Average Daily Attendance, if any, that were

inappropriately reported for apportionment; and a statement consistent with its basis of funding, for any other inappropriately reported claim—such as number of staff development days, or number of pupils for Class Size Reduction, or amount in dollars for Instructional Materials, and so forth

(6) a recommendation for the resolution of the finding

(7) a corrective action plan prepared by the auditee that describes in specific terms the actions planned or taken to correct the problem, or a statement from the auditee that the corrective action recommended by the auditor is not necessary or appropriate and giving the specific reasons why, if that is the case, and a statement that the corrective action plan was not available if no corrective action plan was submitted before the audit report was prepared.

(k) “Schedule of Instructional Time” means the schedule in the Supplementary Information section that displays, for all auditees, including basic aid districts, data that show whether the auditee complied with the provisions of Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

(l) “Schedule of Prior Audit Findings” means that part of the Findings and Recommendations section that presents the status of actions taken by the auditee on each of the findings and recommendations reported in the prior-year audit, and includes as current year findings and recommendations those prior year findings that have not been resolved.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

Article 3. State Compliance Requirements

§ 19815. Materiality Levels for Compliance Auditing.

Each program for which Average Daily Attendance is reported to the California Department of Education for apportionment purposes must be audited for compliance with

specific requirements of law, as further set forth in this article, if the number of units of Average Daily Attendance reported is material as shown in the following table:

Local Education Agency's Total Reported Average Daily Attendance (ADA)	Number of ADA Constituting Materiality for Each Program
1 – 1,000	10 or more
1,001 – 2,500	20 or more
2,501 – 10,000	50 or more
More than 10,000	100 or more

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19816. Auditor Judgment.

For each state compliance requirement, the auditor shall follow the procedures included in this audit guide, unless, in the exercise of his or her professional judgment, the auditor determines other procedures are more appropriate in particular circumstances.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14503 and 41020, Education Code.

§ 19817. Attendance Reporting.

(a) Determine whether the Second Principal and Annual reports of attendance submitted to the California Department of Education reconcile to the supporting documents by verifying the local education agency's Average Daily Attendance calculations for each reporting line item, including the informational line items. Trace the Average Daily Attendance numbers from the Second Principal and Annual reports of attendance to the local education agency's summaries.

(b) Verify that the monthly site summaries used for summarizing attendance provide

accurate information, by selecting a representative sample of schools and performing the following procedures (include special day classes in this sample; other special programs are identified separately in subsequent sections of this audit guide):

(1) Reconcile the monthly totals (days of apportionment attendance) on the school's attendance summary to the summary maintained by the local education agency for the Second Principal and the Annual attendance reports.

(2) Select at least one test month in the Second Principal or Annual attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the school's attendance summary.

(3) Select a representative sample of classes (teachers) and trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

(c) Select a sample of absences and compare to documentation supporting Average Daily Attendance reported to the California Department of Education to verify that absences were not included in Average Daily Attendance. The documentation maintained by the local education agency with regard to its absences may be in the form of notes, logs, or other records, depending on the board-adopted policy concerning verification of absences.

(d) If any inappropriately reported units of Average Daily Attendance are identified through the foregoing audit procedures, recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

(e) For each teacher selected in subparagraph (b)(3) of this section, test to determine

whether the teacher possessed a valid certification document. If any teacher did not possess a valid certification document, calculate the penalty or penalties pursuant to the provisions of Education Code Section 45037 and include the actual calculation in an audit finding in the Findings and Recommendations section.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19818. Kindergarten Continuance.

(a) Select a representative sample of kindergarten classes. Perform the following procedures.

(b) Obtain a list of kindergarten pupils enrolled in the selected kindergarten classes for the year audited and the year prior. Compare the enrollment lists and identify those kindergarten pupils, if any, who are on both lists.

(c) Review the record of each pupil identified on both lists to determine whether the pupil continued in kindergarten after completing one school year of kindergarten. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil's first day of kindergarten.

(d) Verify that the local education agency has a signed parental agreement to continue form, approved in form and content by the California Department of Education, for each such pupil.

(e) If any inappropriately reported units of Average Daily Attendance are identified through the foregoing audit procedures, recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an

estimate of their dollar value.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19819. Independent Study.

If the local education agency reported Average Daily Attendance generated through independent study, perform the following procedures

(a) At the agency level:

(1) Reconcile the local education agency's independent study attendance records to Average Daily Attendance generated through full-time independent study reported to the California Department of Education.

(2) Verify the local education agency's calculation of the ratio of independent study teachers to Average Daily Attendance generated through full-time independent study by pupils 18 years of age or less as specified by the California Department of Education pursuant to subdivision (a) of Education Code Section 51745.6. Determine the number of ineligible units of Average Daily Attendance pursuant to the provisions of subdivision (b) of Education Code Section 51745.6.

(3) Interview administrative personnel and school counselors of the local education agency to determine if the local education agency had policies and procedures to ensure that any pupil terminating an independent study agreement was permitted to immediately recommence classroom study.

(4) Interview local education agency administrative personnel as well as a sample of independent study teachers and review written agreements to determine whether it was the local education agency's policy or practice to provide independent study pupils or their parents/guardians with monetary funding or any other things of value such as equipment or

paid private instruction. If so, determine whether classroom pupils or their parents/guardians had the same access to funding or things of value. Read program materials provided to all parents/guardians to determine that opportunities were equal and that pupils engaged in independent study were neither offered nor given incentives or special benefits.

(b) Select a sample of schools that is representative of the local education agency and sufficient in size to allow the auditor to draw a reasonable conclusion with respect to the local education agency's compliance with independent study requirements. Verify that the monthly site summaries used for summarizing attendance provide accurate information by performing the following procedures:

(1) At each school, examine the attendance accounting records to verify that the attendance of pupils or adult education students or both while engaged in independent study was maintained on separate registers or the local education agency had another mechanism in place to track Average Daily Attendance generated through independent study separately from other Average Daily Attendance.

(2) Determine the total number of days of attendance reported for each sampled school that resulted from attendance by pupils or adult education students or both while engaged in independent study. Reconcile the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the local education agency for the Second Principal and the Annual attendance reports.

(3) Select a test month in the Second Principal or Annual attendance reporting period. Verify the mathematical accuracy of the monthly report and trace totals to the school's attendance summary.

(4) Verify that a certificated employee of the local education agency coordinated, evaluated, and provided general supervision of each pupil's or adult education student's

independent study.

(5) Select a representative sample of teachers. Verify the mathematical accuracy of the teachers' attendance records of pupil or adult education student attendance. Trace the monthly totals from the monthly report to the attendance records.

(6) If 100 percent apportionment attendance was recorded for all independent study pupils or adult education students or both, ensure that the teacher did not accrue more days of apportionment credit for any assignment than there were school days in that assignment ("banking"); or accrue days of attendance for work submitted subsequent to the specified due date for the assignment ("make-up").

(7) For programs in which hourly attendance accounting is not required pursuant to Section 406, verify that attendance credit was recorded in whole days based on the supervising teacher's personal review, evaluation, and assignment of time value to the pupil's or adult education student's work product, or the supervising teacher's review of the evaluation and assignment of time value made by another certificated teacher.

(c) From the attendance records, select a representative sample of pupils/adult education students for whom Average Daily Attendance generated through independent study was claimed, including pupils on intermittent ("short term") independent study if the local education agency offered that option, and perform the following procedures:

(1) Verify that no pupil was enrolled in the local education agency pursuant to subdivision (b) of Education Code Section 48204 while engaged in full-time independent study.

(2) Determine each selected pupil's or adult education student's county of residence at the time of commencing independent study and verify that it is the county in which the apportionment claim is reported or a contiguous county within California.

(3) Determine whether mailing addresses or other evidence of residency changed during

the time the pupils/adult education students were in independent study and, if so, whether each pupil or adult education student remained resident of the same or a contiguous county within California.

(4) Verify that a total of not more than one day of attendance generated through independent study was recorded for each pupil, including pupils enrolled in more than one program, for any calendar day on which school was in session.

(5) Verify that a written agreement exists for each pupil/adult education student selected.

(6) Verify that every pupil whose independent study attendance was claimed for apportionment was participating under an agreement for a minimum of five consecutive school days.

(7) Verify that every written agreement contained all the required elements:

(A) The manner, time, frequency, and place for submitting a pupil's or adult education student's assignments and for reporting his or her progress.

(B) The objectives and methods of study (pupil/adult education student activities selected by the supervising teacher as the means to reach the educational objectives set forth in the written agreement) for the pupil's or adult education student's work.

(C) The methods utilized to evaluate that work (any specified procedure through which a certificated teacher personally assesses the extent to which achievement of the pupils/adult education students meets the objectives set forth in the written assignment).

(D) The specific resources, including materials and personnel, to be made available to the pupils/adult education students (resources reasonably necessary to the achievement of the objectives in the written agreement, not to exclude resources normally available to all pupils/adult education students on the same terms as the terms on which they are normally available to all pupils/adult education students).

(E) A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code Section 51747 regarding the maximum length of time allowed between the assignment and the completion of a pupil's or adult education student's assigned work, and the number of assignments a pupil or adult education student may miss before there must be an evaluation of whether it is in the pupil's or adult education student's best interests to continue in independent study.

(F) The duration of the independent study agreement, including the beginning and ending dates for the pupil's or adult education student's participation in independent study under the agreement, with no agreement being for a period longer than one semester, or one-half year for a school on a year-round calendar.

(G) A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil/adult education student upon completion.

(H) A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate. In the case of a pupil who is referred or assigned to any school, class, or program pursuant to Section 48915 or 48917, the agreement also shall include the statement that instruction may be provided to the pupil through independent study only if the pupil is offered the alternative of classroom instruction.

(I) Signatures, affixed prior to the commencement of independent study, by

1. the pupil or adult education student;
2. the pupil's parent, legal guardian, or caregiver as that term is used in Family Code Section 6550 and following, if the pupil is less than 18 years of age;
3. the certificated employee who has been designated as having responsibility for the

general supervision of independent study; and

4. all other persons, if any, who had direct responsibility for providing assistance to the pupil or adult education student.

(8) Verify that no days of attendance were reported for dates prior to the signing of the agreement by all parties.

(9) Trace each pupil's or adult education student's attendance from the attendance records to the teacher's register, record of the pupil's or adult education student's work completed, and the corresponding work assignment record. Verify that evaluated pupil/-adult education student work samples, bearing signed or initialed and dated notations by the supervising teacher indicating that he or she personally evaluated the work, or that he or she personally reviewed the evaluations made by another certificated teacher, have been retained in the file.

(10) Verify that the pupil/adult education student work product samples are related to the assignment pursuant to which the work was undertaken and reflect the curriculum adopted by the local governing board and not an alternative curriculum.

(11) Review records and other relevant documentation to verify that each pupil's choice to commence or to continue in independent study was entirely voluntary and uncoerced.

(d) If any inappropriately reported units of Average Daily Attendance are identified through the foregoing audit procedures, recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19820. Continuation Education.

Verify that the monthly site attendance summaries provide accurate information by performing the following procedures:

(a) Reconcile the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the district for the Second Principal and the Annual attendance reports.

(b) Select a test month in the Second Principal attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the site's attendance summary.

(c) Select a representative sample of classes (teachers). Trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

(d) Select a representative sample of pupils and perform the following procedures:

(1) Trace each pupil's attendance in the weekly attendance records to the teacher's attendance register or other approved record.

(2) Verify that hourly attendance accounting was used.

(3) Verify that attendance was not credited for more than the scheduled class time.

(e) Review weekly attendance records to verify that the district did not claim more than 15 hours per week, or a proportionally reduced number of hours per week when there were fewer than five school days.

(f) Select a representative sample of continuation pupils enrolled in work experience education.

(1) Review the weekly attendance reports and attendance registers to verify that each pupil actually attended, as set forth in Education Code Section 48400, four 60-minute hours in each

week in which he/she generated additional hours of work experience apportionment attendance credit.

(2) Verify that the pupils received at least one instructional period per week of classroom work experience instruction or counseling as required by Education Code Section 51760.3(b).

(3) Verify that not more than 10 percent of each continuation high school's Average Daily Attendance at Second Principal (exclusive of Average Daily Attendance for a pupil who was pregnant or was a parent and the primary caregiver for one or more of his or her children) was generated through independent study as provided in Education Code Section 51745(b).

(g) If any inappropriately reported units of Average Daily Attendance are identified through the foregoing audit procedures, recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19821. Adult Education.

Verify that the monthly site attendance summaries provide accurate information by performing the following procedures:

(a) Reconcile the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the district for the Annual attendance reports.

(b) Select a test month in the Annual attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the site's attendance summary.

(c) Select a representative sample of classes (teachers) for both exclusively adult education students and concurrently enrolled K-12 pupils (if any). Trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

(d) Verify that hourly attendance accounting was used.

(e) Verify that attendance was not credited for more than the scheduled class time.

(f) Verify that the district used individual teacher-certified records of the minutes of each pupil's or student's actual attendance for classes (sometimes termed ad hoc or laboratory class settings) that provided more total hours of class time than the minimum required to be attended for pupils or students to receive full credit for the class.

(g) Select a representative sample of K-12 pupils concurrently enrolled in adult education, if any. For each pupil selected, determine, from the adult school files, the K-12 program/school site in which the pupil was enrolled. Review the pupil's K-12 program/class schedule and/or transcript located at the K-12 program/school site and verify that the pupil was concurrently enrolled in adult education courses that supplemented and enriched, and did not supplant, the regular course offerings required to complete the curriculum for the K-12 program in which the pupil was enrolled.

(h) Review each concurrently enrolled pupil's file to ensure there is documentation of a counseling session—a communication whether by phone or in person which involved the pupil, a certificated representative of the high school, and the pupil's parent, guardian, or caretaker—that met the requirements of Education Code Section 52500.1(b).

(i) Review the district's records to ensure that it submitted to the California Department of Education for approval, in advance, a list of all courses provided.

(j) If any inappropriately reported units of Average Daily Attendance are identified through

the foregoing audit procedures, recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19822. Regional Occupational Centers and Programs.

Verify that the monthly site attendance summaries provide accurate information by performing the following procedures:

(a) Reconcile the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the local education agency for the Annual attendance reports.

(b) Select a test month in the Annual attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the site's attendance summary.

(c) Select a representative sample of classes (teachers), and trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

(d) Verify that hourly attendance accounting was used.

(e) Verify that attendance was not credited for more than the scheduled class time.

(f) Verify that the local education agency used individual teacher-certified records of the minutes of each pupil's or student's actual attendance for classes (sometimes termed laboratory class, community classroom, workplace learning, or cooperative education setting) that were not conducted in a fashion that required all pupils/students to be present at a set time or in

which more hours of class time were available than the minimum number of hours pupils/students had to attend to receive full credit.

(g) If any inappropriately reported units of Average Daily Attendance are identified through the foregoing audit procedures, recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19823. Instructional Time and Staff Development Reform Program.

Review the site calendars and perform the following procedures:

(a) Verify that the number of Instructional Time and Staff Development Reform Program staff development days claimed did not exceed three for each certificated classroom teacher, and one for each classified classroom instructional aide or certificated teaching assistant.

(b) Verify that each Instructional Time and Staff Development Reform Program staff development day was intended to provide training in one or more of the following: instructional methods, including teaching strategies, classroom management and other training designed to improve pupil performance, conflict resolution, and academic content in the core curriculum areas that are provided by the local education agency. Staff development days held on or after January 1, 2004, additionally may be intended to provide training in intolerance and hatred prevention.

(c) Verify that contemporaneous records support the number of Instructional Time and Staff Development Reform Program staff development days funded.

(d) Verify that no Instructional Time and Staff Development Reform Program staff development days were counted as instructional days for apportionment purposes.

(e) Verify that Instructional Time and Staff Development Reform Program staff development was not conducted after school on any minimum day of which parents or guardians were notified pursuant to Education Code Section 48980(c), except as provided for staff in multitrack year-round schools.

(f) Verify that each staff development day was at least as long as the full-time instructional workday for certificated or classified instructional employees.

(g) Verify that each participant was present for a full-time instructional work day or the aggregate equivalent.

(h) If any ineligible Instructional Time and Staff Development Reform Program staff development days are identified through the foregoing procedures, prepare a schedule of the number of days audited and the number of ineligible days identified. Calculate the disallowance and estimate the dollar value, and include the schedule in the Findings and Recommendations section of the audit report.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19824. Instructional Time.

(a) School districts: Perform the following procedures:

(1) Select a sample of schools that is representative of the district and sufficient in size to allow the auditor to draw a reasonable conclusion with respect to the district's compliance with instructional time requirements. Review the school attendance calendar and bell (class) schedules of the sampled schools. Compare the instructional minutes from each school site's bell (class) schedule to total instructional minutes computed by the business office.

(2) Compare the amount of time offered for each grade level in each sampled school during the year being audited to the required amount of instructional time as set forth in Education Code Section 46201, and to the amount offered by the district during the 1982-83 year.

(3) Determine whether the district offered optional classes to satisfy incentive funding requirements. If enrollment in optional classes is low, review the district's documentation of class offerings to ensure that the district has acted effectively to comply with the law. Practices that are not consistent with effectively offering additional instructional time may include, but are not limited to, offering only a small number of courses that in addition are appropriate only for limited numbers of pupils, and courses scheduled such that pupils may take them only by giving up their lunch period or by attending school outside the schedule of district-provided bus service.

(4) Prepare the "Schedule of Instructional Time" that must be presented in the Supplementary Information section of the audit report, showing by grade span the number(s) of instructional minutes offered by the district in the 1982-83 year; the 1986-87 instructional time requirements specified in Education Code Section 46201, the instructional minutes offered during the year audited showing the school with the lowest number of minutes offered at each grade span; the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendars; and whether the district complied with the instructional minutes and days provisions. State in a note to the schedule whether the district received incentive funding for increasing instructional time pursuant to the Longer Instructional Day incentives.

(5) If any schools were not in compliance with the instructional minutes or days provisions, or both, prepare a separate schedule for each school showing only those grade spans that were not in compliance; and calculate the penalty or penalties pursuant to Education Code Section

46200(c), 46201(d), or 46202(b). Include both the schedule(s) and the calculated penalty or penalties in a finding in the Findings and Recommendations section of the audit report.

(b) County offices of education: If the county office of education received Longer Instructional Day or Longer Year incentive funding, or both, for the fiscal year audited for special day classes, perform the following procedures:

(1) Review the school attendance calendar and bell (class) schedules. Determine the amount of instructional time offered by each school.

(2) Determine whether the county office of education complied with the instructional time incentive funding requirements by comparing the amount of time offered for each grade level during the year being audited to the required amount of instructional time as set forth in Education Code Section 46201.5.

(3) Prepare the “Schedule of Instructional Time,” that must be presented in the Supplementary Information section of the audit report showing by grade span the 1986-87 instructional time requirements specified in Education Code Section 46201.5; the instructional minutes offered during the year audited showing the school with the lowest number of minutes; the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendars; whether the county office of education complied with the instructional minutes requirements; and, if the county office of education received an apportionment pursuant to Education Code Section 46200.5(a), whether the county office of education complied with the instructional days provisions. State in a note to the schedule whether the county office of education received incentive funding for increasing instructional time pursuant to the Longer Instructional Day incentives and whether it received an apportionment pursuant to Education Code Section 46200.5(a).

(4) If any schools were not in compliance with the instructional minutes or days provisions,

or both, prepare a separate schedule for each such school showing only those grade spans that were not in compliance and calculate the penalty or penalties set forth in Education Code Section 46200.5(c) or 46201.5(e). Include both the schedule(s) and the calculated penalty or penalties in a finding in the Findings and Recommendations section of the audit report.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19825. Community Day Schools.

(a) Verify that the minimum school day included at least 360 minutes of community day school classroom instruction by reviewing the bell schedule(s) of the school district's or county office of education's community day school(s), and that the school's practice was to schedule all pupils, other than pupils with exceptional needs whose Individualized Education Programs specified otherwise, to attend for at least the minimum day.

(b) Select a representative sample of pupils and verify that they were scheduled to attend the community day school for at least 360 minutes each day by reviewing their class assignments.

(c) Verify that pupils were provided classroom instruction by a certificated employee of the school district or county office of education for at least the minimum school day, by reviewing teacher room assignments and employment records.

(d) If any inappropriately reported units of Average Daily Attendance are identified through the foregoing audit procedures, recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

(e) Select a representative sample of pupils who were enrolled in the district's or county office's community day school(s) and perform the following procedures:

(1) Trace the credit reported for each sampled pupil's attendance in the fifth and sixth hours of attendance back to the record prepared by the classroom teacher.

(2) Verify that hourly attendance accounting was used.

(3) Verify that pupils who attended fewer than five hours in a school day were not reported for attendance credit for the additional funding, that attendance of five hours was reported for one-half day of attendance credit for the additional funding, and that attendance of six hours or more was reported for one whole day of attendance credit for the additional funding.

(f) If any inappropriately reported units of Average Daily Attendance are identified through the immediately foregoing procedure, prepare a schedule displaying the hours of attendance credit inappropriately reported and recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

(g) Select a representative sample of pupils who were enrolled in the district's or county office's community day school(s) and perform the following procedures:

(1) Trace the credit reported for each sampled pupil's attendance in the seventh and eighth hours back to the data origination record.

(2) Verify that hourly attendance accounting was used.

(3) Verify that no pupils who had not completed the full six-hour instructional school day were reported for attendance credit for the additional funding.

(4) Verify that the pupils' attendance during the seventh and eighth hours was supervised

by an employee of the district or the county office of education.

(h) If any inappropriately reported hours of attendance are identified through the immediately foregoing procedure, prepare a schedule displaying the hours of attendance inappropriately reported and an estimate of their dollar value, and include it in the Findings and Recommendations section of the audit report.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19826. Class Size Reduction.

If the school district or charter school received Class Size Reduction Program funding for the year audited, perform the following procedures, using daily averaging in all instances in which averaging is required.

(a) Verify the mathematical accuracy of the Class Size Reduction Program claim form submitted to the California Department of Education.

(b) Option One Classes

(1) Select a sample of classes from those that were certified as eligible for Option One Class Size Reduction Program funding, using the following procedures:

(A) The number of classes to be reviewed shall be based on auditor judgment, but the selection of classes shall be made randomly.

(B) For each class selected, the sample shall include at least 15 days randomly selected from all instructional days that occurred between the first day of instruction and April 15, inclusive, of the year audited.

(C) If class size for the sampled classes was more than 20.4 when averaged over a period from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-depth review. The in-depth review shall be either of the following:

1. A review of all instructional days for all classes for which a district or charter school has requested funding pursuant to Education Code Section 52126.

2. A randomly selected sample of all classes and instructional days, of sufficient size and designed in such a manner that the auditor can conclude, with a 95 percent degree of confidence, that the average daily class size for each class, when averaged over the period from the first day of instruction to April 15, did not exceed 20.4.

(D) The district or charter school shall make the determination as to which of the two in-depth review methods set forth in the immediately preceding subparagraph shall be used.

(2) For sampled classes, review the data used to prepare the list of Option One classes reported to the California Department of Education, to verify that the report is supported by contemporaneous records.

(3) For sampled classes, review teacher assignments and other available pupil and teacher assignment data to verify that the number of students reported as being under the immediate supervision of each assigned teacher for each class reported was the actual class size for a substantial majority of the full regular school day.

(c) Option Two Classes

(1) Select a sample of classes from those that were certified as eligible for Option Two Class Size Reduction Program funding, using the following procedures:

(A) The number of classes to be reviewed shall be based on auditor judgment, but the selection of classes shall be made randomly.

(B) For each class selected, the sample shall include at least 15 days randomly selected from all instructional days that occurred between the first day of instruction and April 15, inclusive, of the year audited.

(C) If class size for the sampled classes was more than 20.4 when averaged over a period

from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-depth review. The in-depth review shall be either of the following:

1. A review of all instructional days for all classes for which a district or charter school has requested funding pursuant to Education Code Section 52126.

2. A randomly selected sample of all classes and instructional days, of sufficient size and designed in such a manner that the auditor can conclude, with a 95 percent degree of confidence, that the average daily class size for each class, when averaged over the period from the first day of instruction to April 15, did not exceed 20.4.

(D) The district or charter school shall make the determination as to which of the two in-depth review methods set forth in the immediately preceding subparagraph shall be used.

- (2) For sampled classes, review the data used to prepare the list of Option Two classes reported to the California Department of Education, to verify that the report is supported by contemporaneous records.

- (3) For sampled classes, review teacher assignments and other available data to ensure that the class size reported was the maximum actual class size for at least one-half of the instructional minutes offered per day in each grade for which Option Two Class Size Reduction funding was claimed.

- (4) Review class schedules to ensure that the time that pupils spent in Option Two classes was primarily devoted to instruction in reading or mathematics.

- (d) Class Size Reduction in districts or charter schools with only one school serving K-3:

For school districts or charter schools that maintain only one school that serves kindergarten and grades 1 through 3, verify that:

- (1) The district or charter school claimed Class Size Reduction funding for not more than two classes per participating grade level,

(2) The pupil-to-teacher ratio did not exceed 22.4 to 1 in any class,

(3) The average class size of all classes participating in Class Size Reduction, combined, did not exceed 20.4, and

(4) The governing board made a public declaration that it exhausted all possible alternatives to averaging and was unable to achieve a pupil-to-teacher ratio of 20 to 1 in a way that is educationally acceptable.

(e) General requirements:

(1) For all sampled classes, and for classes claimed for Class Size Reduction funding in districts or charter schools with only one school serving kindergarten and grades 1 through 3, review the school level information used to complete the California Department of Education's reporting form. Verify that:

(A) classes claimed for funding were for pupils in kindergarten, or grades 1 to 3, inclusive;

(B) if only one grade level was reduced, it was grade 1;

(D) if two grade levels were reduced, they were grades 1 and 2; and

(E) priority was given to the reduction of classes in grades 1 and 2 before classes in kindergarten or grade 3 were reduced.

(2) For the sampled classes, verify that the district or charter school did not report to the California Department of Education on the Class Size Reduction reporting form:

(A) any classes consisting of special education pupils enrolled in special day classes on a full-time basis,

(B) any pupil who was enrolled in independent study or home study for the full regular school day,

(C) any pupil who was enrolled in independent study or home study for any portion of the full regular school day, for that portion of each day that the pupil was on independent study or

home study, or

(D) any pupil enrolled in a Class Size Reduction combination class who was at a grade level ineligible for Class Size Reduction funding.

(3) For the sampled classes, verify that counts began on the first teaching day each class existed.

(4) If a district elected to reduce class size through the use of an early-late instructional program and claimed Class Size Reduction funding for Option One classes, verify that it did not follow the provisions of Education Code Section 46205 when calculating instructional time used to qualify for Longer Instructional Day and Year incentive funding unless the district operated an early-late instructional program pursuant to Education Code Section 46205 prior to July 1, 1996.

(5) If a district elected to reduce class size through the use of an early-late instructional program and claimed Class Size Reduction funding for Option Two classes, verify that it did not follow the provisions of Education Code Section 46205 when calculating instructional time used to qualify for Longer Instructional Day and Year incentive funding.

(f) If any of the classes reported for Class Size Reduction funds is found to be ineligible for such funding pursuant to any of the foregoing audit procedures, or if any individual pupils in classes found to be eligible are found to have been ineligible because of their grade level(s) but to have been reported as eligible, or both, prepare a schedule, which must be presented as part of the Findings and Recommendations, summarizing the results of all procedures and presenting the noncompliant classes by grade level, number of classes, number of pupils incorrectly reported as eligible, and Class Size Reduction funding claimed on the basis of those pupils, including the data for each ineligible class only once, even if found to have been ineligible for Class Size Reduction funds in more than one of the steps in the audit procedures.

(g) Interview management regarding the district's staff development program.

(1) Verify that the staff development program required, as set forth in Education Code Section 52127, that any certificated teacher providing direct instruction to a class in the Class Size Reduction Program receive the appropriate training necessary to maximize the educational advantages of Class Size Reduction, including but not limited to methods for providing individualized instruction; effective teaching, including classroom management, in smaller classes; identifying and responding to student needs; and opportunities to build on the individual strengths of students.

(2) If the district did not have a staff development program as set forth in Education Code Section 52127, include a finding in the Findings and Recommendations section of the audit report showing the full amount of Class Size Reduction funding received as disallowed.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

(§ 19827, Program to Reduce Class Size in Two Courses in Grade 9 (Morgan-Hart Class Size Reduction Program), *was withdrawn by the Education Audit Appeals Panel.*)

§ 19828. Instructional Materials.

(a) Determine whether the year audited is one for which the governing boards of school districts or county boards of education that receive funds for instructional materials from any state source are subject to the provisions of Education Code Section 60119, as set forth in subdivision (c) of that section.

(b) If the year audited is one in which the school district or county office of education was required to conduct a hearing as provided in Education Code Section 60119, perform the following audit procedures.

(1) Determine whether the school district governing board or county board of education

held the public hearing or hearings required by Education Code Section 60119 prior to making a determination through a resolution whether each pupil in each school had, or would have by the end of that fiscal year, sufficient textbooks or other instructional materials in each subject.

(2) Determine whether the school district governing board or county board of education provided 10-day notice of the required public hearing or hearings.

(3) Determine whether each notice included the time, place, and purpose of the hearing and whether the school district or county office of education posted the notice at a minimum of three public locations in the school district or county, respectively.

(4) Determine whether the resolution stated that there were, or would be by the end of that fiscal year, sufficient textbooks or instructional materials, or that the resolution stated there were insufficient textbooks or instructional materials, or both. If the latter, verify that the school district governing board or county board of education took action to ensure that each pupil would have sufficient textbooks or instructional materials, or both, within a two-year period from the date of the determination.

(c) If the school district or county office of education was not in compliance with any of the requirements set forth in the foregoing procedures, the school district or county office of education was not eligible to receive an Instructional Materials Funding Realignment Program (Instructional Materials Block Grant) allowance for the fiscal year audited. Include a finding in the Findings and Recommendations section of the audit report showing the full amount of Instructional Materials Funding Realignment Program allowance received as disallowed.

(d) Instructional Materials Funding Realignment Program (Instructional Materials Block Grant):

(1) Determine the amount of the Instructional Materials Funding Realignment Program (Instructional Materials Block Grant) allowance received by the local education agency.

(2) Verify that the allowance received was accounted for separately.

(3) For kindergarten and grades 1 through 8, review the local education agency's list of instructional materials purchased and select a sample to verify that the materials were adopted by the State Board of Education in March 1999 or later, are in one of the four eligible subject areas, and bear the copyright date and are of editions of the materials adopted by the State Board of Education.

(4) For grades 9 through 12, review the local education agency's list of instructional materials purchased and select a sample to verify that the materials were reviewed and approved through a resolution adopted by the local education agency's governing board as being aligned with State Board of Education-adopted content standards.

(5) Determine whether the governing board certified, as set forth in Education Code Section 60422, that each pupil had been provided with a standards-aligned textbook or basic instructional materials.

(6) If the governing board did certify as set forth in Education Code Section 60422, review the Instructional Materials Funding Realignment Program expenditures initiated after the certification was made and select a sample to verify that the textbooks or materials were from the following categories:

(A) Purchase of instructional materials adopted by the State Board of Education pursuant to Education Code Section 60200 for kindergarten and grades 1 through 8, or by the governing board pursuant to Education Code Section 60400 for grades 9 through 12.

(B) Purchase, at the local education agency's discretion, of instructional materials, including, but not limited to, supplementary instructional materials and technology-based materials from any source.

(C) Purchase of tests.

(D) Binding of textbooks that were otherwise usable and were on the most recent list of basic instructional materials adopted by the State Board of Education and made available pursuant to Education Code Section 60200.

(E) Funding of in-service training related to instructional materials.

(F) Purchase of classroom library materials for kindergarten and grades 1 through 4, if the local education agency had a plan as specified in Education Code Section 60242(d).

(e) If any of the instructional materials funds are found to have been expended inappropriately, include the amount inappropriately spent in a finding in the Findings and Recommendations section of the audit report.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19829. Ratios of Administrative Employees to Teachers.

(a) For school districts, verify that the district is in compliance with the administrator-to-teacher ratio requirement for the year audited by determining that the employees were properly classified and the ratio was calculated consistent with the provisions of Education Code Section 41403.

(b) If the number of administrators per hundred teachers exceeded the allowable ratio set forth in Education Code Section 41402, indicate the number of excess administrators and the associated penalty, as set forth in Education Code Section 41404, in the Findings and Recommendations section of the audit report.

(c) If the school district cannot show that it was in compliance with the ratio during the year audited, include a statement in the Findings and Recommendations section of the audit report that the ratio could not be confirmed.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1,

14503 and 41020, Education Code.

§ 19830. Early Retirement Incentive.

(a) Obtain a copy of the certification required by Education Code sections 22714, 22714.5, and 44929 and verify that the school district received approval from the county office of education or that the county office of education received approval from the Superintendent of Public Instruction as appropriate.

(b) Verify that the reason(s) contained in the certification are consistent with the results of the early retirement incentive program.

(c) Verify the data disclosed as a result of the district's or county office's adoption of the early retirement incentive program.

(d) Include a disclosure in the Notes to the Basic Financial Statements that presents the number and type of positions vacated; the age, service credit, salary, and, separately, the benefits of the retirees receiving additional service credit; a comparison of the salary and benefits of each retiree with the salary and benefits of the replacement employee, if any; the resulting retirement cost, including interest, if any, and postretirement health benefit costs, incurred by the employer.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

§ 19831. Gann Limit Calculation.

The following audit procedures apply to the current year appropriations limit calculation for county offices of education and school districts.

(a) Verify that the data used by the district or the county office is accurate, ensuring that the "Prior Year Gann ADA" used by the local education agency matches the data on the prior year appropriations limit calculation previously submitted to the California Department of

Education. If the data has been revised, verify that the district or the county office has recalculated the prior year appropriations limit and attached a copy of the recalculation to the current year appropriations limit.

(b) If the agency is found out of compliance, include a finding in the Findings and Recommendations section of the audit report.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Section 1.5 of Article XIII B, California Constitution.

Appendix A

Federal Compliance Requirements

Office of Management and Budget Circular A-133 (revised June 2003), titled *Audits of States, Local Governments, and Non-Profit Organizations*, was issued pursuant to the Single Audit Act of 1984 (Public Law 98-502) and the Single Audit Act Amendments of 1996 (P.L. 104-156). It sets forth standards intended to bring about consistency and uniformity in the auditing of entities expending federally granted funds, and is available through this website:

<http://www.whitehouse.gov/omb/circulars/index-slg.html>

The compliance requirements for testing federal program expenditures are set forth in the OMB Circular A-133 Compliance Supplement. The 2004 Compliance Supplement effective for audits of fiscal years beginning after June 30, 2003, which supersedes the Compliance Supplement issued in March 2003, is available at this website:

http://www.whitehouse.gov/omb/circulars/a133_compliance/04/04toc.html

The Compliance Supplement sets forth program requirements accompanied by suggested audit procedures for testing compliance. The State Controller's Office advises that these procedures are not the only ones that can be utilized by the auditor, nor are they mandatory procedures. Auditors should apply professional judgment to choose procedures and determine the extent of tests performed, and the audit procedures should be tailored to individual programs and circumstances. The auditor is also responsible for ensuring that specific requirements that are modified by a change in a law or regulation are included in the audit procedures.

The Compliance Supplement may not include all the federal programs and procedures required to be audited for compliance; therefore, independent auditors may have to contact funding agencies for compliance requirements and applicable procedures. Program regulations and guidelines are also referenced in the Catalog of Federal Domestic Assistance (CFDA), which can be accessed online through this website:

<http://www.cfda.gov>

The California Department of Education provides CFDA information in a document available through the "Federal Awards" link on the following web page:

<http://www.cde.ca.gov/fg/au/ag/auditresfed.asp>

The Federal Audit Clearinghouse, which operates on behalf of OMB, provides the required forms for submission of federally-required audit reports and other information at its home page:

<http://harvester.census.gov/sac/index.html>

Appendix B

Agency Addresses and Contacts

Mailing Address

State Controller's Office
Division of Audits
School District Audits
Post Office Box 942850
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California Department of Education
School Fiscal Services Division
Audit Resolution Staff
1430 N Street, Suite 3800
Sacramento, California 95814

Telephone: (916) 323-8068

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, Indiana 47132

Telephone: (800) 253-0696 (toll free)

Private Carrier Delivery

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Division of Audits
School District Audits
300 Capitol Mall, Fifth Floor
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